Before the Federal Communications Commission Washington, D.C. 20554

In the Matter of)
Rural Digital Opportunity Fund) WC Docket No. 19-126
Connect America Fund) WC Docket No. 10-90

REPLY COMMENTS OF NTCA-THE RURAL BROADBAND ASSOCIATION



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EXECUTIVE SUMMARY

The record supports the adoption of a longer-term perspective by the Federal Communications Commission (the "Commission") for the Rural Digital Opportunity Fund ("RDOF") auction. Specifically, numerous parties join NTCA—The Rural Broadband Association ("NTCA") in urging the deployment and sustainability of networks that will satisfy not only immediate needs for connectivity but will remain relevant and useful to rural consumers and businesses a decade from now when the Commission is still distributing support for them. These commenters support weighting that will recognize such long-term value — especially in the form of a "bonus" for symmetrical speeds — along with alternative bidding proposals that will ensure the Commission is "buying the best networks for the budget" at the clearing round of the RDOF auction. By contrast, only a handful of commenters beg the Commission to stagnate, looking to promote the deployment of rural networks by 2030 that will barely reach the speeds and other key performance capabilities of urban networks today in defiance of a statutory mandate for reasonable comparability.

The record further supports robust but reasonable accountability measures *before* the auction to ensure that would-be bidders can deliver on their promises. In particular, many commenters echo NTCA's call for improvements to the short-form application, so that the Commission can conduct appropriate due diligence – as a responsible steward of ratepayer resources – to confirm that a potential bidder indeed has the technical and operational wherewithal to perform and thereby conduct the most efficient and effective auction possible. Indeed, as an auction with overarching public policy objectives rather than a mere lottery, the ultimate success of the RDOF will be determined not by the sheer number of participants, but by the sustainability of networks still serving consumers in 2030. Moreover, while many commenters express

understandable concern with respect to the Commission's proposal to adopt a 70 percent subscription performance metric, NTCA submits that a lower, more reasonable metric (such as 35 percent) would strike a proper balance and ensure the networks being supported and deployed are in fact being used to serve as many consumers as possible – consistent with the ultimate statutory objective of ensuring consumers have access to services that are reasonably comparable in price and quality to those available in urban areas.

Substantial consensus can also be found in the record with respect to a number of other important issues ranging from the need for reasonable transitions from prior support mechanisms to greater flexibility both in the handling of location disparities arising out of the underlying cost model and in establishing some assurance of performance in the form of a letter of credit or other vehicle. NTCA therefore believes that, with just a handful of changes to the weighting framework, the process for handling bids at the clearing round, and the means by which the Commission ensures accountability *both* prior to *and* after the auction, the RDOF can proceed in the near future to promote the availability and affordability of reliable voice and broadband services far into the future.

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REPLY COMMENTS OF NTCA-THE RURAL BROADBAND ASSOCIATION

NTCA-The Rural Broadband Association ("NTCA")¹ hereby submits these replies to comments submitted in connection with the Notice of Proposed Rulemaking² adopted by the Federal Communications Commission ("Commission") in the above-captioned proceedings.

In its initial comments, NTCA advocated first and foremost for establishing expectations that are at once high and realistic for the Rural Digital Opportunity Fund ("RDOF"). Specifically, NTCA encouraged the Commission to: (1) set standards for auction participation that will ensure *in advance* that bidders can indeed deliver on their promises (in lieu of discovering this years later in a manner that leaves dollars and users stranded); and (2) weigh network performance to ensure that the services "bought" by the Commission on behalf of ratepayers will remain relevant and useful when they are still being "paid for" ten years later. In short, while there are many detailed

NTCA represents approximately 850 rural rate-of-return regulated telecommunications providers. All of NTCA's members are full service local exchange carriers and broadband providers, and many of its members provide wireless, cable, satellite, and long distance and other competitive services to their communities.

² Rural Digital Opportunity Fund, WC Docket No. 19-126, Connect America Fund, WC Docket No. 10-90, Notice of Proposed Rulemaking (rel. Aug. 2, 2019) ("NPRM").

issues to be worked out to be sure, the key mantras for the auction should be simple: "aim high" and "assure accountability." To this end, the Commission should structure the auction in an efficient manner to ensure that the best possible bidders will deliver the best possible voice and broadband services over the lives of the networks being supported by RDOF resources.

I. THE COMMISSION SHOULD AIM HIGH IN USING RATEPAYER RESOURCES TO SUPPORT NETWORKS THROUGH 2030 AND BEYOND; TECHNOLOGICAL NEUTRALITY DOES NOT REQUIRE REWARDING PERFORMANCE THAT WILL NEITHER BE REASONABLY COMPARABLE WITH SERVICES IN URBAN AREAS NOR KEEP PACE WITH CONSUMER DEMAND.

In its initial comments, NTCA provided a detailed overview of how demands for higher speeds, greater capacity, and symmetrical upload and download capability have increased in recent years and are projected by a number of trusted industry experts to increase further in the future. Cisco, for example, projects a compound average growth rate of 21 percent for U.S. IP traffic through 2022, while OpenVault indicates that the weighted average data consumed monthly by U.S. subscribers in the first quarter of 2019 is already at 273.5 GB (a 27 percent increase over 2018). Moreover, the Commission's own *Measuring Broadband America* report states that the median download speed measured on the networks of the largest U.S. Internet service providers equaled 72 Mbps – *more than two years ago.* 4

With such data as a backdrop, and given that the support provided by the RDOF will effectively create a new "provider of last resort" for the 21st century in wide swaths of rural

NTCA Comments at 5 (citing Cisco, *VNI Highlights Tool*, and OpenVault Broadband Industry Report, 1Q 2019, at 3). The Fiber Broadband Association ("FBA") also provides several useful charts, depicting the relative benefits realized at various speed tiers in terms of e-commerce, remote health applications, two-way video streaming, and cloud storage. *See* FBA Comments at 9-11.

⁴ See Eighth Measuring Broadband America Fixed Broadband Report (available at: https://www.fcc.gov/reports-research/reports/measuring-broadband-america/measuring-fixed-broadband-eighth-report).

America, NTCA submitted that the Commission should promote deployment of networks that will deliver high-quality voice and data services and keep pace with consumer demands through at least 2030 and potentially much longer. It is essential to get this right, because the decisions being made now and the funds to be allocated as a result will define the quality and capabilities of connectivity for significant portions of the United States landmass for at least a decade at the expense of billions of dollars from American ratepayers. By contrast, supporting networks that are "built to fail" rather than "built to last" over the next 10 to 20 years may yield short-term gains in the sheer number of locations initially served, but ultimately prove to be an inefficient waste of ratepayer resources as those networks need rebuilding even during the distribution term to remain "reasonably comparable" (as is required by law⁵) with the kinds of services available in urban areas. Indeed, as experience with universal service policy over the past decade demonstrates, an "incrementalist" approach to setting required performance levels will only necessitate a fresh look within a few years' time – along with hand-wringing over the perceived waste of funds in the interim for supporting networks that ultimately prove inadequate and incapable of remaining "reasonably comparable" over time. 6

For these reasons, NTCA proposed the following weights for use in the RDOF auction, reflecting the relative value that can reasonably be expected to be derived from networks capable of delivering services at or above these performance levels through 2030 and beyond:

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⁵ 47 U.S.C. § 254(b)(3).

See NTCA Comments at n. 4 (citing the progression of broadband universal service goals and performance obligations from 4/1 to 10/1 to 25/3 Mbps within just several years).

Performance Tier	Speed ⁷	Monthly Usage Allowance	Weights
Minimum	≥ 25/3 Mbps*	\geq 3 TB or U.S.	79
		median, whichever	
		is higher	
Baseline	≥ 100/20 Mbps*	\geq 5 TB or U.S.	60
		median, whichever	
		is higher	
Above Baseline	≥ 500/100 Mbps*	\geq 5 TB or U.S.	30
		median, whichever	
		is higher	
Gigabit	≥ 1 Gbps/500 Mbps*	\geq 5 TB or U.S.	15
		median, whichever	
		is higher	
*Symmetrical Service Bonus: Minus 15 Points from Tier Weight			

*Symmetrical Service Bonus: Minus 15 Points from Tier Weight if Upload is Within 5% of Download Speed

Latency	Requirement	Weight
Low Latency	≤ 100 ms	0
High Latency	\leq 550 ms and MOS \geq 4	20

These proposals fairly resemble those set forth in the *NPRM*, varying in just four specific respects: (1) retaining the four speed tiers from the Connect America Fund ("CAF") Phase II auction, but updated for reasonable expectations of where consumer demands will evolve over the next decade;⁸ (2) modifying the usage allowances to reflect the capacity that customers will likely use with access to such higher speed services;⁹ (3) demanding – but then rewarding – better latency

All speed measures should remain subject to the "80/80" threshold adopted for performance of networks supported by universal service. *See Connect America Fund*, WC Docket No. 10-90, Order, 33 FCC Rcd 6509, 6528-30 (2018), at ¶¶ 51-55.

NTCA alternatively suggested the Commission could retain the three tiers as suggested in the *NPRM*, but that in that case, 100 Mbps should be considered the "baseline," rather than endorsing 25/3 Mbps as a speed goal ten years into the future. NTCA Comments at n. 16.

⁹ *Id.* at 9-10.

performance through lesser weighting;¹⁰ and (4) adopting a "Symmetrical Bonus" that will recognize the value of deploying networks capable of delivering the kinds of symmetrical services that are increasingly seen as "must-have" for use in connection with distance learning, telemedicine, precision agriculture, and other key applications.¹¹

A. The Record Supports Setting High Expectations for the Distribution of Universal Service Fund Support into the 2030's, Particularly in Light of the Value Derived from Higher Performing Services.

Many commenters share NTCA's concern with "aiming too low" when it comes to performance expectations for RDOF bidders now and into the future. Conexon, LLC ("Conexon"), for example, notes that the Commission "should support inferior broadband service only when the option for Gigabit service is not available." Conexon thus proposes an alternative auction bidding structure that would determine the best level of service at the clearing round in lieu of continuing to pursue a "national" weighted auction beyond that point¹² – in other words, Conexon suggests using the available budget to "buy" the best possible service rather than leaving resources on the table to procure less efficient and effective networks. Particularly if the Commission does not adopt weights such as those proposed above that reflect the relative value of the networks behind the bids, this clearing round approach offers great promise in promoting the "biggest bang for the buck" by getting the best possible networks for the available budget.¹³

¹⁰ *Id.* at 10-13.

¹¹ *Id.* at 13-16.

¹² Conexon Comments at 5-8.

It is important to note that, by applying this sort of rule at the clearing round stage, the Commission would connect just as many Americans as it would if the auction were to continue thereafter – the only difference being that, with this approach, the Commission would ensuring the best possible networks are built to *the same number of locations* for the available budget.

Concerns about the lasting effects of substandard network performance are echoed by other commenters. The Fiber Broadband Association, for example, commissioned a study specifically evaluating the results of the CAF Phase II auction, and found that "a greater point spread between the higher and lower performance tier counts would have resulted in lower winning bids, more locations served, and higher performance service at each location." In fact, FBA observes that the CAF Phase II weights had the opposite effect of encouraging participation in the auction, instead seemingly deterring Gigabit bids for the vast majority of locations because "the discounts used by the Commission did not adequately reflect the value of each performance tier."¹⁴ Similarly, the National Rural Electric Cooperative Association ("NRECA") rightly notes that "bidding weights should be technology neutral, but not technology blind," and proposes weights roughly comparable to those suggested by NTCA – along with a sensible adjustment to the auction procedures (much like Conexon) to make awards to the higher-performing bids at the point of the clearing round in lieu of continuing downward in a manner that will result in lesser-performing bids that will yield far fewer benefits for users over the ten year distribution term and beyond. 15 The Institute for Local Self-Reliance ("ILSR") likewise urges the Commission to think of efficiencies and benefits gained over the life of the networks and the term of support distribution, rather than focusing shortsightedly on initial costs alone:

FBA Comments at 4-5; *see also* North Dakota Joint Comments at 2-4; ADTRAN Comments at 8-11; INCOMPAS Comments at 10-11.

NRECA Comments at 7-9. NTCA disagrees, however, with the relatively low point spread expressed by NRECA between the Gigabit and Baseline (25/3 Mbps) tiers specifically. NTCA submits that NRECA's limited spread from Baseline to Gigabit will run headfirst into the "auction participation deterrence" problems articulated by FBA as noted above; despite NRECA's rhetorical endorsement of future-proof networks, this structure could ironically result in more locations receiving service that will look outdated by the 2030's when RDOF support finally ceases to flow.

[T]he focus should be on what is best for the Americans living in these areas and the long term costs. Setting the bar for access in 2030 based on basic needs in 2015 does not serve their interests. Further, too low a target will encourage bidders to use technologies that are less likely to scale to offer the capacities needed by households in coming years. This scenario results in greater subsidies over time rather than the fiscally prudent approach of encouraging technologies that will not require future subsidies to offer the capacities demanded by households in those areas. ¹⁶

Such assessments are shared by many others in the record. The Utilities Telecom Council ("UTC") concurs with a weighting system that measures efficiency over the life of the supported asset and the term of support distribution, so that "available funds are invested wisely into future-proof technologies that will be able to meet increasing consumer expectations cost effectively and provide unserved areas with robust, reliable and affordable broadband services." Echoing FBA, the American Cable Association ("ACA Connects") highlights the prescient analysis it conducted prior to the CAF Phase II auction, noting that the weights adopted in that auction "favored bidding for certain lower-performing tiers and deterred bidding for higher-performing tiers." To avoid perpetuating such outcomes in the RDOF auction and instead "to ensure bidding maximizes service provider participation," ACA Connects recommends "significantly raising the weight associated with the RDOF baseline beyond the relatively minor five percent increase proposed in the NPRM." 18

¹⁶ ILSR Comments at

UTC Comments at 10.

ACA Connects Comments at 6-9.

B. The Record Supports the Adoption of a "Symmetrical Bonus" as Proposed by NTCA.

There is strong support as well for recognizing, as NTCA's proposal does, the enhanced value of symmetrical services. ACA Connects, for example, notes that the Commission "could account for the important role upload speeds play in enabling real-time applications by creating additional performance tiers for the RDOF auction "19 To recognize such value, NRECA proposes creating a symmetrical tier at the 100 Mbps level, 20 while WTA-Advocates for Rural Broadband ("WTA") suggests doing so at the 25 Mbps tier. 21 To be clear, while NTCA certainly welcomes and agrees with NRECA's and WTA's general perspectives on the value of symmetry, this value is not confined to any one speed and thus should not be confined to any single auction tier. Rather, for all the reasons stated above and in NTCA's initial comments, symmetrical speeds enable better use of critical applications at all speeds. Thus, if symmetrical service can be delivered at any speed, that should be credited additional weight in the RDOF auction as compared to a non-symmetrical service at the same download speed. NTCA therefore concurs with UTC in proposing to "include a weighting factor in favor of projects that propose symmetrical speeds" without limit as to what the specific proposed download speed is.²² A "Symmetrical Bonus" is the proper way to recognize the increased value provided by services of all speeds for use in distance learning, telehealth, and other critical applications.

¹⁹ *Id.* at n. 30.

NRECA Comments at 7.

WTA Comments at 11.

UTC Comments at 10.

C. The Commission Should Decline Invitations to Move Backward or to Adopt Shortsighted Horizons with Respect to Speed and Latency in Designing the RDOF Weighting Methodology – Nor Should the Commission Disregard the Legal and Public Policy Significance of Voice Services in Structuring the RDOF Auction.

Very few commenters seek to move in the opposite direction from that described above, encouraging the Commission to concentrate instead on the "here and now" (or even the "back there and then") to the exclusion of what will be needed years from now when RDOF funds are still helping to pay for networks. The Commission should not adopt such a backward-looking, short-term view of the network capabilities it will be funding a decade or more into the future, especially when the ultimate statutory mandate is for "reasonably comparable" services. ²³

With respect to speed, the Wireless Internet Service Providers Association ("WISPA") appears to stand largely alone in suggesting that the Commission freeze in time and adopt the same weighting methodology from the CAF Phase II auction²⁴ – arguing essentially that speed tiers that the Commission found in early 2017 as being appropriate for use in distributing funds for networks through the late 2020's should be perpetuated three years later for use in distributing funds for networks into the early 2030's. Such a stagnant look at weighting, however, takes no account whatsoever of what users will need *over the lives of the networks being funded and the distribution terms*. Instead, WISPA defends this perspective by focusing on a two-year-old snapshot of subscription metrics, without any attempt whatsoever at projection or even view of prior trends in

To be clear, the Commission may very well want to prioritize *which* areas it will serve first in terms of promoting access to higher speeds over time; for example, a legitimate debate could be had about the benefits of placing a higher priority on reaching areas that lack 10/1 Mbps as compared to 25/3 Mbps. But certainly, when it comes to setting the expectations for what new networks will be capable of when being constructed in whatever areas are deemed to be unserved, the Commission should not "aim low" in expecting that new construction be able to keep pace with reasonably anticipated consumer demands a decade or more into the future.

WISPA Comments at 12.

the broadband marketplace.²⁵ Reasonable and prudent infrastructure planning works this way in no other context, and the Commission should decline the invitation for such a short-term planning horizon in designing its weighting methodology here.

A handful of other commenters from the satellite industry likewise look to downplay or dispel altogether the significance of latency in the consumer broadband experience, and thereby advocate for relatively low weighting for higher latency services. Hughes Network Systems, LLC ("Hughes"), for example, contends that a latency weighting of 40 points is "excessive," but provides no meaningful basis for this beyond asserting that *not all* applications are affected by latency and that video downloads in particular are not latency sensitive. ²⁶ Viasat, Inc. ("Viasat"), meanwhile, admits at least that latency can affect the performance of certain applications, but then asserts – focusing again largely on streaming video – that the Commission has never sufficiently justified calling out latency as an important metric among other measures of performance. ²⁷ Of course, as the Commission is well aware, and as each of the commissioners themselves have noted repeatedly over time, ²⁸ broadband access is about far more than email or streaming Netflix.

Indeed, one of the most glaring flaws in the analysis of the satellite providers is how they breeze past the significance from both a legal and public policy perspective of latency-sensitive *voice applications* in the universal service context. Riding atop a broadband-capable network, voice applications are heavily dependent upon the quality of that underlying network – including

²⁵ *Id.* at 13-14.

Hughes Comments at 3-4.

Viasat Comments at 15.

See NTCA Comments at n. 24 (providing quotes from all five commissioners about the significance of broadband for application such as distance learning, telehealth, and bridging the homework gap).

first and foremost the network's latency performance. Yet such providers (and others) downplay the importance of voice and largely try to sidestep the issue altogether; in fact, the Space Exploration Technologies Corp. ("SpaceX"), WISPA, and California Internet, L.P., d/b/a Geolinks ("Geolinks") all go so far as to beg the Commission to disavow any obligation to offer voice on a standalone basis as a condition of receiving RDOF support. Such arguments, however, demonstrate fundamental ignorance of both the objectives of universal service and the statutory framework underpinning it.

As a public policy matter, as ADTRAN, Inc. ("ADTRAN") notes, the obligation to provide voice service is "necessary to ensure that residents and businesses in these unserved areas can access 911 emergency service." This is particularly true when one contemplates (as SpaceX and the wireless Internet service providers fail to do) that the prevailing bidders in the RDOF auction will become the 21st century "providers of last resort" in those rural areas – the long-standing price cap carriers that offered voice service for decades will no longer be receiving support to serve these areas and they will be replaced as eligible telecommunications carriers ("ETCs"). Certainly, the entity that replaces a price cap carrier through the RDOF auction should, at a minimum, be required to offer standalone voice service to replace what the price cap carrier offered previously. Put another way, the RDOF should not cause a consumer to *lose* access to a previously supported service, and as wonderful as broadband may be, no American consumer should be literally *forced* to buy broadband simply to obtain voice service due to RDOF auction rules.

²⁹ SpaceX Comments at 3-6; WISPA Comments at 10-11; Geolinks Comments at 8.

ADTRAN Comments at 6 (citations omitted).

See USTelecom Comments at 25 (highlighting the need for a thoughtful approach to ensuring the continuing availability of voice telephony services in the wake of the RDOF auction and the cessation of support distribution to price cap carriers in rural areas).

Instead, the RDOF should focus upon *adding* broadband to the robust and affordable communications services available to rural Americans in areas where it is lacking today.

Moreover, even if voice access were not important for a variety of public safety and other public policy reasons, the statutory framework simply does not allow would-be bidders to cast aside the obligation to offer voice on a standalone basis in their race to secure "broadband dollars." The plain language of Section 254 of the Communications Act of 1934, as amended (the "Act"), mandates that only entities designated as ETCs pursuant to Section 214 of the Act can receive federal universal service fund support, and the statute further directs that such support can only be used in connection with the offering of supported telecommunications services.³² 214(e)(1) of the Act, in turn, indicates that only a telecommunications carrier ("TC") – which is defined elsewhere in the statute as a provider of a telecommunications service ("TS") (which is itself a term defined in the statute)³³ – can be designated as an ETC.³⁴ In short, the Act is unmistakably clear that: (1) to receive universal service fund support, an entity must be an ETC; (2) to be an ETC, an entity must be a TC; and (3) to be a TC, an entity must offer a TS. With broadband Internet access service clearly established now as an information service, this means that as a legal matter an ETC must offer voice telephony as a standalone telecommunications service to qualify for the receipt and use of universal service support.

This straightforward statutory analysis is buttressed by judicial and Commission precedent. Specifically, in considering challenges a number of years ago to the use of universal service fund support to advance broadband availability and affordability despite the fact that broadband is not

³² 47 U.S.C. §§ 254(e) and (c)(1).

³³ *Id.* at §§ 153(51) and (53).

³⁴ *Id.* at § 214(e)(1).

itself a telecommunications service, the United States Court of Appeals for the Tenth Circuit upheld the Commission's order premised upon the fact that such goals were ultimately attached to a requirement that ETCs at least offer "voice telephony" on a standalone basis as a telecommunications service.³⁵ The Commission reaffirmed this in its own brief to the Tenth Circuit, stating that "[s]o long as a provider offers some service on a common carrier basis, it may be eligible for universal service support as an ETC under sections 214(e) and 254(e), even if it offers other services – including 'information services' like broadband Internet access – on a noncommon carrier basis."³⁶

Turning back to the interplay of latency and voice services specifically, even as latency is increasingly important for the use of critical applications, it is important to note that NTCA did not propose in its initial comments an allegedly "arbitrary and capricious" or "excessive" 40-point latency weighting criticized by the satellite providers. Instead, NTCA recommended reducing the weighting for latency – provided that the higher latency tier is then set at a level that more adequately assures the ability of users to communicate without frustration or delay. Specifically, NTCA recommended a 20-point latency weighting for a minimum service requirement of 550 milliseconds, citing resources from satellite providers themselves that both show how latency affects different applications and explain how this level of performance is apparently achievable for satellite platforms.³⁷ While NTCA anticipates substantial criticism of this recommendation from some satellite providers upon reply, it is worth noting that at least one significant satellite provider appears to have supported this assessment of latency capabilities in its initial comments;

³⁵ In Re: FCC 11-161, 753 F.3d 1015, 1048-49 (10th Cir. 2014).

³⁶ *Id.* at 1095.

NTCA Comments at 11 (citations omitted).

in particular, SES Americom, Inc. and its affiliate O3B Limited ("SES") assert the capability to deliver "fiber-like connectivity . . . [w]ith round-trip latency in the range of 120-150 ms." Between such attestations and the likelihood of performance improvements over time as satellite technology evolves over the decade-long term of support distribution, the Commission should assign less weight to latency – but only if it then expects better from "higher latency" services in return. If, however, the Commission decides to retain its latency performance at a materially higher level that is comparable to the CAF Phase II auction, it should then retain a higher weight as well, consistent with the recommendations of other commenters in this proceeding. 39

- II. THE RECORD SUPPORTS ROBUST BUT REASONABLE ACCOUNTABILITY MEASURES AIMED AT VALIDATING CAPABILITY TO PERFORM *BEFORE* BIDDING AND MONITORING THE ACTUAL DELIVERY OF SERVICES TO CONSUMERS ONCE NETWORKS ARE BUILT.
 - A. The Record Supports More Thorough Vetting of Would-Be Bidders *Prior to* Participation in the RDOF Auction.

As NTCA observed in its initial comments, rural areas present unique challenges that can be daunting even for the most experienced operators, and it is therefore in the Commission's and the public's best interest to ensure potential bidders have the know-how and technical and operational capabilities to perform. Indeed, such upfront review is essential to ensure that RDOF funds will not be wasted and areas will not be left behind because of problems that materialize only years later. To this end, NTCA recommended: (1) requiring potential bidders to include in their short-form applications propagation maps for the rural topographies they plan to serve, along with a reasonably detailed justification of how they plan to serve the entirety of those areas; (2) the leveraging of technical standards that will be adopted in the mapping proceeding to ensure an

SES Comments at 3.

See, e.g., USTelecom Comments at 21; NRECA Comments at 7.

"apples-to-apples" comparison of capabilities when providers submit service proposals; and (3) requiring in the short-form application either evidence of at least two years' prior experience providing voice and broadband services in rural areas or audited financial statements for the preceding three years.⁴⁰

A number of commenters echo NTCA's call for greater accountability in the upfront vetting of would-be bidders in the RDOF auction. USTelecom, for example, states "the information now required in the short form is insufficient to ensure an applicant can scale its business (possibly substantially) should it win in the auction."41 Even representing smaller bidders that could admittedly face this "scaling challenge" in certain cases, NTCA nonetheless concurs wholeheartedly with USTelecom on this point – the Commission should know with reasonable assurance and on the basis of due diligence beforehand whether a provider poised to receive millions of dollars in universal service fund support is capable of doing what it promises. UST elecom highlights the example of a provider that has never offered service commercially in a given tier before bidding to do so. Information such as USTelecom cites like employees, expertise, subscribership counts and trends, and current network capabilities should all therefore be part of the evaluation whether the provider can do what it promises.⁴² Indeed, the Commission should approach this not from the perspective of "just an auction," but rather as an investment. The Commission is providing millions of dollars on behalf of ratepayers to firms to enable the delivery of services to other ratepayers. To fulfill its duty as a responsible steward of those funds, the Commission should conduct reasonable due diligence to ensure those funds are well-placed before

NTCA Comments at 24-26.

USTelecom Comments at 19.

⁴² *Id*.

placing them (or even just committing them through an auction), much as a reasonable investor would.

It is telling that there is little opposition in the record to greater accountability in the upfront review of would-be bidder capabilities. Consistent with its status quo view of broadband speeds and weighting, however, WISPA contends that the Commission should also decline to change a thing in the application format from the CAF Phase II auction. WISPA appears to believe that a mere review of "basic qualifications" in the short-form stage is sufficient and supports deferral of any more detailed consideration of the bona fides of would-be bidders until after the auction has been completed.⁴³ But most other parties – all of whom likewise are or represent probable bidders in the auction, and many of whom are also small businesses or representatives of them - do not share WISPA's minimalist take on what constitutes sufficient accountability. NRECA, for example, contends that the Commission must as a matter of accountability and fiscal responsibility make sure that "only competent, qualified entities utilizing proven technologies participate" in the RDOF auctions. Accordingly, NRECA recommends shifting "more of the detailed technical and financial showings from the long-form to the short-form application."44 Likewise, Sacred Wind Communications, Inc. ("Sacred Wind") highlights the need for "better gatekeeping measures," particularly for providers with no meaningful track record of actual delivery of voice and the proposed level of broadband services in rural areas in the past.⁴⁵

Conexon and UTC focus rightly on an important part of any such threshold review - a determination that a would-be bidder possesses the spectrum resources to deliver services at the

WISPA Comments at 32-33.

NRECA Comments at 13; *accord* UTC Comments at 18.

Sacred Wind Comments at 3-4.

proposed levels during peak network usage for all locations in the proposed serving area.⁴⁶ Conexon in particular captures this concern well, noting that "the incantation of spectrum bands" that *might* be used in a short-form application is hardly a sound basis for concluding that a given party *is in fact* capable of delivering 100 Mbps broadband throughout the area it proposes to serve.⁴⁷ The comments of Visionary Broadband ("Visionary") raise another important aspect of upfront vetting, urging the Commission to review the capabilities of satellite providers to deliver standalone voice services prior to permitting their participation in the RDOF auction.⁴⁸

While a balance certainly must be struck to avoid a scathing review that imposes excessive burdens or unreasonable barriers to auction participation, the vast majority of comments highlight the need for greater upfront scrutiny than in the CAF Phase II auction to ensure the technical, financial, and operational capabilities of would-be bidders, especially to the extent they lack a proven record of performance in the delivery of both voice and broadband services in rural areas. ⁴⁹ At bottom, it is essential to remember that this is an auction and not a lottery drawing. The RDOF's ultimate success will come not simply from having more bidders participate, but rather from the participation of more *qualified* bidders that can deliver better broadband in rural America.

UTC Comments at 18; Conexon at 9-11.

⁴⁷ Conexon at 10.

Visionary Comments at 2.

Even if some provision is afforded for providers with a track record of actual delivery of voice and broadband services in rural areas when it comes to the content of the short-form application – a position NTCA generally supports – this does not obviate the need for a review of technical readiness specifically in the context of each and every short-form application. If, for example, a provider does not have the spectrum in hand required to deliver broadband at the proposed levels or a provider cannot demonstrate with meaningful specificity how it will extend its DSL plant to meet the proposed levels of service, that provider should not be deemed qualified to participate in the RDOF auction even if it has delivered services in other rural areas before.

B. The Record Supports Adoption of Reasonable, Carefully Tailored Measures to Assure Quality of Services and Consumer Adoption of Those Services After Networks Are Deployed.

In its initial comments, NTCA noted that while much of the focus of the RDOF auction and universal service policy more generally is on promoting the deployment of networks, the ultimate statutory objective is to ensure that rural and urban Americans alike have access to reasonably comparable services at reasonably comparable rates. In other words, networks are not built for the sake of declaring locations connected, but so that consumers can make effective use of robust and affordable communications services atop them. With this as a backdrop, to ensure that the networks being deployed are delivering services as promised, NTCA expressed support for reasonable network performance testing measures, other measures such as reports on unfulfilled service requests due to capacity limitations, and a carefully and thoughtfully modified version of the subscription metric proposed by the Commission in the *NPRM*. ⁵⁰

There appears to be nearly unanimous opposition to the proposed 70 percent subscription metric suggested in the *NPRM*, but the record with respect to the adoption of an alternative version of this metric is mixed. Several parties join NTCA in supporting the notion that the Commission should expect providers to demonstrate *some* reasonable level of adoption and utilization of the funded networks, but at levels much lower than the unrealistic 70 percent proposed in the *NPRM*.⁵¹ Even INCOMPAS, which expresses opposition to the concept of a subscription performance metric, still suggests that "[n]ew networks typically see a retail subscription take rate of 30-40%" of a figure right in line with NTCA's proposal for a 35 percent subscription metric measured only

NTCA Comments at 26-31.

See, e.g., ACA Connects Comments at 13-17; UTC at 11.

INCOMPAS Comments at 14.

after six years.⁵³ Likewise, WTA, which rightly expresses concern about the aggressive nature of the *NPRM* proposal, nonetheless indicates an interest in working "with the Commission to fashion effective measures to discourage and minimize gaming in RDOF and other CAF auctions."⁵⁴

Other parties, however, express firm opposition to a subscription metric, although even some of these might be more specifically targeted against the 70 percent threshold proposed in the *NPRM* than the very concept of any consideration of subscription at all. For example, USTelecom opposes the adoption of a subscription metric (arguing that the better alternative for potential network capacity deficiencies is a more robust upfront technical review), ⁵⁵ but interestingly describes elsewhere in its comments how subscribership counts and trends are telling indicators of the success of a broadband business and should be evaluated in considering the capabilities of a would-be auction participant. ⁵⁶ Meanwhile, a number of other parties draw harder lines still, arguing that it should be sufficient "to require providers to ensure that they <u>offer</u> the services to consumers" in lieu of any subscription performance metric ⁵⁷ and that it would be a "seismic shift" for the high-cost program to focus on adoption rather than availability. ⁵⁸ On this final point, Geolinks even goes so far as to contend that high-cost universal service funds "are to be used for broadband deployment, not adoption."

NTCA Comments at 29.

WTA Comments at 21.

USTelecom Comments at 39.

⁵⁶ *Id.* at 19.

⁵⁷ CenturyLink Comments at 17 (emphasis in original).

WISPA Comments at 21.

Geolinks Comments at 6.

Such arguments only serve to highlight why a reasonable focus on subscription is indeed so important. Here are parties angling for funds to become the 21st century provider of last resort in their rural communities, and yet they perceive the program as focused solely on availability to the near-exclusion of adoption as a matter of public policy. Beyond the misplaced nature of such arguments from a policy perspective, this demonstrates a fundamental misunderstanding of the underlying statutory framework itself. The high-cost program is *not* just about network availability; to the contrary, it could not be clearer on the face of the statute that the ultimate objective of the rural high-cost universal service program is to provide access to services that are reasonably comparable in quality and price to those available in urban areas. 60 Network availability, as important as it may be, is therefore in fact just a condition precedent to the real statutory objective of universal service. To be clear, a 70 percent subscription metric is unreasonable and unachievable for all of the reasons discussed in NTCA's initial comments, and in this regard, NTCA shares the concerns of the parties noted above regarding the adoption of such an unworkable rule. But to argue that a subscription performance metric is neither appropriate as a matter of policy because adoption is not a high-cost program concern, nor permissible as a matter of law, misses the mark badly. The Commission should therefore proceed to adopt a reasonable, carefully tailored subscription performance metric for the RDOF proceeding, consistent with the recommendations contained in NTCA's initial comments.

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⁶⁰ 47 U.S.C. § 254(b)(5).

III. REASONABLE TRANSITIONS ARE ESSENTIAL AS AREAS CEASE TO BE SERVED PURSUANT TO ONE SUPPORT MECHANISM AND BEGIN TO BE SERVED THROUGH ANOTHER.

In its initial comments, NTCA expressed appreciation for the Commission's focus on the importance of transitions between support mechanisms as it migrates to the RDOF auction structure. Consistent with the preceding discussion related to subscription, while much of the focus of universal service policy is on connecting those lacking service today, it is an equally important public policy and statutory goal to ensure that those who are already connected can continue to access quality voice and broadband services at affordable rates. It is essential then to ensure "seamless handoffs" from price cap legacy disaggregated support or CAF Phase II model support, including in particular the continuation of model support for the price cap carrier pending the initiation of new support to a RDOF auction winner for the same area. ⁶¹

A number of parties likewise highlight the significance of planned transitions as part of the migration to the RDOF framework. For example, ITTA-The Voice of America's Broadband Providers ("ITTA") rightly highlights concern with respect to what will happen in those areas where a price cap carrier has already deployed 25/3 Mbps broadband. WTA likewise raises concerns about such a transition, and proposes a "bidding credit" for the existing provider in the RDOF auction to accommodate such a transition. Similar sentiments regarding the need for "seamless handoffs" are expressed by USTelecom⁶⁴ and Frontier Communications Corporation

See NPRM at ¶¶ 97-98 and ¶¶ 103-104.

ITTA Comments at 27.

WTA Comments at 6-7.

USTelecom at 29-31.

("Frontier"),⁶⁵ among others. In particular, NTCA shares the concerns of these parties that, if support is withdrawn from the price cap carrier arbitrarily before a new operator starts to receive support in the area in question (or where no provider materializes in the RDOF auction at all), the price cap carrier may be unable to sustain operations in that area – leaving consumers potentially in the lurch.⁶⁶

NTCA believes an additional point of clarification is essential to address, however. There will be places, as ITTA notes, ⁶⁷ where the price cap carrier will have deployed broadband that meets or exceeds the 25/3 Mbps threshold used to deem an area "unserved" and thus eligible for the RDOF auction. On their face, these areas will be ineligible for the RDOF because they already receive at least 25/3 Mbps broadband – but they are areas where the incumbent may nonetheless be unable to sustain operations without ongoing support. Put another way, those high-cost rural areas where the incumbent met or exceeded its buildout obligations under the prior regime and deployed something like a fiber-to-the-premise network should not be punished by the total loss of all support simply because higher-speed broadband is already available there. In these instances, rather than pursue ITTA's suggestion to put these areas as well into the auction and/or WTA's suggestion to provide some kind of "incumbent bidding credit" in doing so, NTCA submits the more sensible course (especially in the case of networks already capable of delivering services at

⁶⁵ Frontier at 18.

This being said, continuing support for the price cap carrier in such circumstances should not come without obligation – extended transition payments should not represent a "residual payment" for milestones already met, but should capture an ongoing commitment to universal service. The exact parameters will require further development, but particularly if there will be a longer-term continuation of support to the price cap carrier pending a new RDOF winner initiating operations or in the absence of any RDOF winner in a given area, some additional level of service commitment should also then be expected and required of the price cap carrier.

ITTA Comments at 27.

very high speeds in excess of the minimum threshold) would simply be to provide some modified version of model-based support on an ongoing basis, paired with reasonable expectations as to continuing service levels and further potential upgrades.

IV. THE RECORD SUPPORTS THE USE OF CENSUS BLOCK GROUPS AS THE STANDARD GEOGRAPHIC BIDDING UNIT IN THE AUCTION.

In response to the Commission's request for comment in the NPRM on whether census block groups containing one or more eligible census blocks would represent an appropriate minimum geographic unit for purposes of bidding in the RDOF auction, commenters widely supported census block groups as the appropriate bidding unit for this auction.⁶⁸ Specifically, commenters concluded that census block units strike the best balance for bidders and the Commission alike. Although smaller bidding units, including the eligible census blocks themselves, might seem well suited for smaller operators, as ITTA noted, the size of the geographic units to be auctioned is only "one side of the balancing" that needs to be taken into account when creating rules seeking the widest participation.⁶⁹ In particular, as NTCA noted in its comments in this proceeding, the auction must also be manageable for all participants. Specifically, the RDOF auction will be very large, with many more locations available. Thus, while smaller bidding units might at first glance seem better suited for smaller participants given the costs of larger buildouts and the ability to adopt "edge-out" strategies instead, 70 smaller blocks would also result in many more areas being auctioned simultaneously, making the auction more complex for smaller operators to track and participate as effectively.

See, e.g., ITTA Comments at 6; Comments of Windstream Services, LLC ("Windstream") at 10, Sacred Wind Comments at 2.

⁶⁹ ITTA Comments at 7.

See ACA Connects Comments at 10.

NTCA therefore agrees with commenters who support the Commission's proposal to award RDOF funds according to census block groups consistent with the CAF Phase II auction. Overall, census block groups offer the best balance of interests by limiting the number of areas bidders need to monitor during the auction, while also providing those wanting larger areas with the ability to bid on several census block groups rather than perhaps the dozen or more census blocks that would be needed to match the same bidding areas.⁷¹

V. THE RECORD SUPPORTS USING THE MODEL TO ESTABLISH THE RESERVE PRICES FOR THE AUCTION WHILE ALSO ALLOWING FLEXIBILITY IF THE NUMBER OF SERVICEABLE LOCATIONS IN A GIVEN AREA IS NOT ACCURATELY CAPTURED BY THE MODEL.

Commenters noted that while the Connect America Cost Model ("Model") may not reflect the actual number of locations in any given area, the Model nevertheless is based upon a significant amount of cost data and "takes into account terrain and density, uses data on maintenance and the life of equipment, as well as the location of millions of homes and small businesses." In short, the Model provides the most detailed systematic accounting available for the cost of deploying broadband networks, and has been widely available for several years and subject to significant scrutiny in the development of those costs. Therefore, in the interest of ensuring the reserve prices set forth in the RDOF auction are based upon the most complete set of data gathered, and to provide a common baseline estimate for the costs of building out broadband facilities in different geographies, NTCA supports using the Model as the baseline to determine reserve prices for the RDOF auction.⁷³

⁷¹ See NRECA Comments at 12.

Conexon Comments at 3; see also NRECA Comments at 11.

 $^{^{73}}$ *NPRM* at ¶¶ 54-57.

But even as the cost estimates developed through the Model may represent the most systematically gathered information available from which to begin the auction process, other aspects of the Model continue to present challenges. In particular, the lack of reasonably accurate mapping data not only frustrates determinations of where broadband is and is not available today, but this problem also plagues the Model by producing estimates of serviceable locations that may bear no tether to what in fact exists in any given service area. NTCA therefore agrees with those commenters who recognize that RDOF recipients should not be penalized if the number of locations estimated to exist by the Model prove to be inaccurate.⁷⁴

To be clear, NTCA and others are not suggesting that the Commission not hold RDOF recipients accountable for offering service in the areas for which they received support. Rather, as NTCA argued in its initial comments and as other parties concur, the Commission simply should not reduce providers' support on a *pro rata* basis if, at the conclusion of the buildout, fewer locations in fact exist in the funded area than were estimated by the Model. This is only equitable because, as NTCA described, the costs of deploying networks cannot be equally divided by the number of locations served.⁷⁵ The Model itself purports to establish the *average* cost of deploying broadband facilities in rural areas, which by definition recognizes that some locations may cost more than others to receive service. Furthermore, as NTCA demonstrated in its comments, the majority of the costs incurred when deploying networks are necessary regardless of the number of locations served.⁷⁶ WTA agrees, noting that "the typically moderate reductions in the numbers of locations passed along a network route do virtually nothing to reduce the costs of deploying,

See, e.g., ITTA Comments at 11; USTelecom Comments at 12; WISPA Comments at 18.

NTCA Comments at 22; *see also* WTA Comments at 20.

NTCA Comments at 21.

maintaining and operating their networks."⁷⁷ Similarly, USTelecom highlights that the Model's cost estimate, which the Commission proposes to use as the basis for determining the amount to be awarded in the RDOF auction, may be insufficient to cover the cost of deploying broadband networks to all unserved locations. Accordingly, RDOF recipients may already encounter higher costs than estimated by the Model and for which they receive support. To add a potential financial penalty upon those same recipients if the Model's "best guess" as to the number of locations proves inaccurate would provide an unfortunate and unnecessary disincentive for entities to participate in the RDOF auction.

VI. THE LETTER OF CREDIT REQUIREMENTS SHOULD BE MODIFIED CONSISTENT WITH THE COMMENTS IN THE RECORD.

NTCA supports the Commission's objective of ensuring RDOF recipients are financially and technically qualified to build out and deliver services in their winning areas. It is for this reason that NTCA has been among the most vocal advocates of more robust upfront technical, financial, and operational screening to ensure that would-be bidders are capable of delivering on their promises *before* they are qualified to participate in the RDOF auction. At the same time, a reasonable balance must be struck between accountability and burden. In this regard, NTCA agrees with WISPA that allowing RDOF recipients to obtain a performance bond as a means of guaranteeing payment in the event of default achieves the Commission's objective as effectively as a letter of credit – but without the costs and burdens associated with a letter of credit.⁷⁹

WTA Comments at 20.

⁷⁸ See USTelecom Comments at 34.

⁷⁹ See WISPA Comments at 34.

Commenters of all kinds universally described the high costs associated with obtaining a letter of credit and suggested that these costs would be better used to deploy, market, and maintain the actual services being funded. Even if RDOF recipients were to incorporate the cost of obtaining a letter of credit into their bids, using limited universal service funds to pay for a guarantee that has never been exercised in the past would be contrary to the Commission's goal of maximizing the amount of funds available for deploying broadband services to unserved areas. Furthermore, if bidders were to incorporate the cost of obtaining letters of credit into their bids, which some commenters estimate will equal 5 to 10 percent of funds awarded, the amount allocated for RDOF could be exceeded or areas left unserved once the amount of funding available has been reached. Performance bonds, by contrast, cost a fraction of the amount incurred for a letter of credit – and to ensure the bonds provide for the same outcome as a letter of credit, the Commission could direct that, in the event of default, the funds guaranteed by the bond shall be immediately forfeited to the Commission.

If the Commission nonetheless concludes that a letter of credit is preferable to a performance bond, or if the Commission wants to allow each RDOF provider to choose between securing a performance bond or a letter of credit, NTCA joins CenturyLink in supporting the notion that the amount guaranteed by the letter of credit should be reduced with each milestone verified by USAC. 82 As CenturyLink explains, once a provider has satisfied each deployment requirement,

See, e.g., USTelecom Comments at 43; CenturyLink Comments at 10; WISPA Comments at 34; and NRECA Comments at 15.

WISPA estimated that bank fees accompanying a letter of credit could cost RDOF recipients "hundreds of thousands of dollars," with a total price tag in the "tens of millions of dollars" for all RDOF recipients to obtain a letter of credit. WISPA Comments at 34. CenturyLink also estimated the cumulative cost to all RDOF recipients for a letter of credit would exceed \$1 billion, or 6.28 percent of the total RDOF budget. CenturyLink Comments at 13.

⁸² CenturyLink Comments at 10; see also NPRM, at ¶ 86.

the provider should be deemed to have satisfied that portion of its obligation and the letter of credit should be reduced accordingly. 83 Accordingly, at most, the letter of credit should be tied only to the remaining funds allocated for each RDOF recipient. This will allow providers to use more of the funds toward the intended purpose of building out broadband services while simultaneously offering the Commission protection in the event an RDOF recipient does default on its remaining obligations.

VII. THE AUCTION SHOULD PROCEED IN MULTIPLE STAGES, FOCUSING FIRST ON AREAS THAT ARE SHOWN AS ENTIRELY UNSERVED ON TODAY'S MAPS – SUBJECT TO A CHALLENGE PROCESS TO VALIDATE THE ELIGIBILITY OF SUCH AREAS.

A number of commenters support the Commission's proposal to award RDOF funding in two phases, with the initial stage focused specifically and solely upon those census blocks (both high-cost and extremely high-cost) in incumbent price cap carrier areas where no provider purports to offer 25/3 Mbps broadband service.⁸⁴ Other commenters, however, encouraged the Commission not to conduct any portion of the RDOF auction until all of the locations in the census blocks to be included in the auction have been identified and levels of service established at each.⁸⁵

NTCA is on record as supporting creation of a "location fabric," 86 and remains hopeful that the development of this revised mapping capability will yield better data and ultimately drive more-informed policy decisions. At the same time, residents in rural communities without access

CenturyLink Comments at 15.

See, e.g., UTC Comments at 14; NRECA Comments at p. 3. See also NTCA Comments at 32.

See USTelecom Comments at 11; Windstream Comments at 7.

Ex Parte Letter from USTelecom and NTCA to Marlene H. Dortch, Secretary, Commission, WC Dockets Nos. 19-195 and 11-10 (filed July 25, 2019).

to those with broadband, and each day, much less month or year, that goes by without such service places them at an even further disadvantage. Moreover, as NTCA explained in its initial comments, the Commission has thoughtfully structured the proposed auction in a way that "threads the needle" – accelerating the RDOF opportunities where it is clear that *no party* delivers service today and consumers are unquestionably in need, while holding off on auctions in other areas where a location fabric can help discern precisely which locations may or may not be served within census blocks that "look" served today.⁸⁷

This is not to say, however, that mapping data – now or in the future – should ever be treated as gospel. As NTCA has articulated in other contexts, even the most granular data atop a location fabric will suffer from the flaws of self-reporting and will require some level of validation prior to use in significant funding and other policy decisions. Thus, NTCA suggests the Commission institute a robust challenge process prior to each phase of the RDOF auction, regardless of the level of granularity of data available at that time. Indeed, other parties share NTCA's view that a challenge process is and will remain critical in determining the eligibility of any given area for universal service support. Such a process will help to confirm that those blocks appearing unserved in fact remain unserved leading into the auction, and also to capture whether blocks that look served in some corner may in fact be entirely unserved.

NTCA Comments at 31-32.

⁸⁸ Comments of NTCA, WC Docket No. 19-195 (filed Sept. 23, 2019), at 5-10.

NTCA Comments at 36.

See e.g., UTC Comments at 14-15; NCTA Comments at 5; WTA Comments at 27-28.

VIII. CONCLUSION

NTCA renews its recommendation that the Commission adopt a longer-term perspective for the RDOF auction, seeking to promote the deployment and sustainability of networks that will satisfy not only immediate needs for connectivity but will remain relevant and useful to rural consumers and businesses a decade from now when the Commission is still distributing support for them. Proper weighting, responsible and meaningful upfront vetting of bidders, reasonable expectations of performance, and efforts to promote adoption thereafter are all essential to ensure that the RDOF auction will aim for the best possible results for rural Americans and promote appropriate accountability in the use of program funds.

Respectfully submitted,

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